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**FISCAL IMPACT STATEMENT**

**LS 6497**

**BILL NUMBER: SB 266**

**NOTE PREPARED: Jan 24, 2014**

**BILL AMENDED: Jan 23, 2014**

**SUBJECT:** Assessment of real property.

**FIRST AUTHOR:** Sen. Schneider

**FIRST SPONSOR:** Rep. Culver

**BILL STATUS:** As Passed Senate

**FUNDS AFFECTED: X GENERAL  
DEDICATED  
FEDERAL**

**IMPACT:** State & Local

**Summary of Legislation:** (Amended) This bill provides a limit on the amount by which the assessed value of real property may be increased for the four assessment dates after the assessed value of the real property is determined in a property tax appeal, in the case of appeals initiated after the effective date of the statute.

In the case of a property tax appeal that is pending on the effective date of the statute and that was filed within the preceding four years, the assessed value for the assessment date in question and for each of the following three assessment dates may not be increased by more than a specified amount.

The bill specifies that these limits do not apply to any part of a change in an assessment:

- (1) that is directly applicable to any change in the use of the property or in an objective factor or feature relating to the property, including an improvement or enlargement of the property; or
- (2) that results from the correction of an error or omission, including the correction of a mathematical error.

**Effective Date:** Upon passage.

**Explanation of State Expenditures:** (Revised) A reduction in local property assessment appeals could reduce further appeals to the Indiana Board of Tax Review and the Indiana Tax Court.

**Explanation of State Revenues:**

**Explanation of Local Expenditures:** This bill would eliminate the need for real property owners to repeatedly appeal their assessments in cases where the taxpayer prevails. The number of new appeals could

be reduced in some areas which could reduce both county and taxpayer costs. Also, some currently pending appeals could be dropped if appealing taxpayers are satisfied with the assessed value limit under this proposal.

**Explanation of Local Revenues:** (Revised) This bill would ensure that an assessment as finally determined in an appeal to county officials, the Indiana Board of Tax Review (IBTR), or the Indiana Tax Court would be the basis for future assessments.

For a pending appeal that was filed within the four years before the effective date of the bill, the valuation in the assessment year before the year of review would be the base assessment. The bill would limit the increases in the assessment for the year of review plus three additional years.

For an appeal that is filed after the effective date of the bill, the valuation as finally determined in the review would be the base assessment. The limitations on increases would apply to the four following assessment dates.

In both cases, the assessments for each of the covered years would be based on the preceding year's assessment plus growth. The assessment growth in a covered year would equal the following:

- (A) For properties valued under the gross rent multiplier, the annual percentage increase in rents received; or
- (B) For all other properties, the applicable annual adjustment factor.

Adjustments to the assessment would be permitted if the property undergoes a physical change, to assess previously omitted property, to correct a mathematical error, or if there is a change in use or a change in an objective factor or feature relating to the property.

**Additional Information** - Currently, when a taxpayer prevails in an assessment appeal, the assessment modification applies only to the tax year or years that were appealed. Each tax year stands on its own. While the local assessor may use this modified assessment as the base for assessments in subsequent years, the assessor is not required to do so.

There are several reasons why a modified assessment may not be carried forward. They include:

1. Some assessments are based on the income capitalization method, and income levels may change.
2. Influence factors may be applied to an assessment for a situation that presents itself for a limited amount of time.
3. Timing issues between adjudication of the appeal and certification of the following year's assessment.
4. Appeals of a property tax assessment board of appeals (PTABOA) decision may be made to the Indiana Board of Tax Review (IBTR) and then the Indiana Tax Court and Indiana Supreme Court, further delaying final adjudication of the assessment.

**State Agencies Affected:** Indiana Board of Tax Review; Indiana Tax Court.

**Local Agencies Affected:** Local assessors; County Property Tax Assessment Boards of Review.

**Information Sources:**

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